



## FORWARD NATIONAL COMPANY

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Via Federal Express

October 19, 2009

Honorable Ben S. Bernanke, Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> St. and Constitutions Ave. NW  
Washington, DC 20551

Re: Escrow Requirements For Mobile Homes

Dear Mr. Chairman:

This letter is to inform you of the adverse impact the new escrow requirements of Section 226.35 (b)(3) of Regulation Z will have on our ability to finance affordable housing, and to seek your assistance in modifying these requirements allowing us to continue to provide such financing.

Forward National Company, Inc. (Forward) is a national bank subsidiary specializing in the financing of affordable housing in the form of mobile homes in eleven northeastern states. With the average site-built home costing \$232,000 and ever increasing apartment rentals, mobile homes costing an average of \$65,000 represent a prime source of affordable housing in this country. Because mobile homes are personal property, they are rarely financed by conventional mortgage lenders.

Forward is a prime lender regulated by the Office of the Comptroller of the Currency. Our average loan is \$49,600, has a credit score of 743, a debt ratio of 31%, a term of 18 years, and a loan to value ratio of 79%. We do not charge application fees, points or prepayment penalties. Forward's underwriting guidelines meet or exceed the criteria for higher-priced mortgage loans. Our borrower's are made aware of their personal property tax and insurance obligations prior to closing. Additionally, as a condition of closing, we require evidence of a one year paid physical damage insurance policy covering the mobile home securing the loan. Clearly we are not a sub-prime or predatory lender.

However, because we finance mobile homes which are personal property dwellings, every loan we make fits the definition of a higher-priced mortgage loan, which is subject to the escrow requirements of Regulation Z. The reason mobile home loans fall within the definition of higher-priced mortgage loans is that they are personal property loans which carry higher interest rates than conventional mortgage loans because they are (i) not secured by real property, (ii) have lower loan balances, (iii) shorter terms, and (iv) require more servicing because the collateral is situated on leased land and moveable.

Escrowing for personal property taxes and insurance premiums on a mobile home loan is neither practical nor cost effective. The total of both personal property tax and insurance premiums on a mobile home averages less than \$650 annually. We have been unable to find

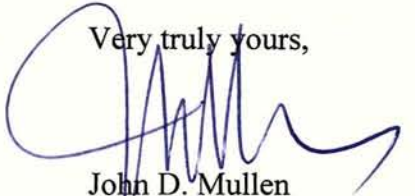
systems or entities offering personal property tax services. The cost to create and administer the required escrows is so significant that it will drive the majority of lenders to abandon mobile home financing. Fewer financing sources available for mobile home buyers will result in less competition and higher interest rates on mobile home loans. This will have a chilling effect on those needing to purchase affordable housing.

We believe that low and moderate income families wishing to purchase a mobile home are entitled to financing that is readily available and affordable. We fear that implementation of the escrow requirements of Regulation Z on October 1, 2010 will significantly diminish peoples ability to finance the purchase of a mobile home.

Forward wishes to continue to offer affordable financing to those wishing to purchase mobile homes. Therefore, we urge you to curtail implementation of the escrow requirements for mobile homes, Section 226.35(b)(3) of Regulation Z, or, in the alternative, exempt federally regulated lenders from such escrow requirements.

Thank you for your courtesy in reviewing our concerns. Kindly contact me if you have questions or require further information.

Very truly yours,



John D. Mullen  
Executive Vice President

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